

LAWRENCE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2012

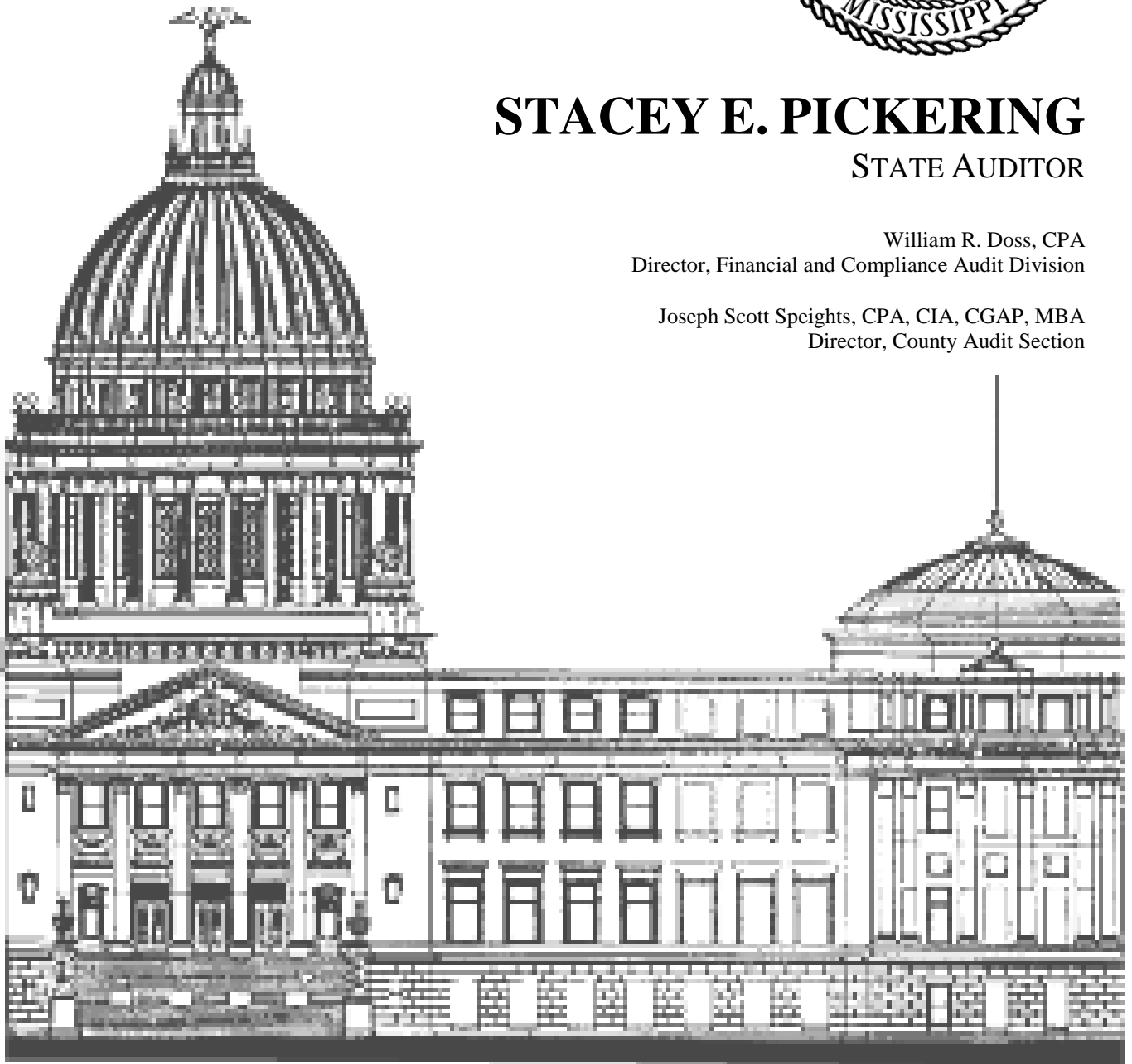


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

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Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

July 15, 2013

Members of the Board of Supervisors
Lawrence County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2012 financial and compliance audit report for Lawrence County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Lawrence County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Lawrence County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

Stacey E. Pickering
State Auditor

LAWRENCE COUNTY

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LAWRENCE COUNTY

FINANCIAL SECTION

LAWRENCE COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Lawrence County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lawrence County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Lawrence County, Mississippi, as of September 30, 2012, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lawrence County, Mississippi, as of September 30, 2012, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

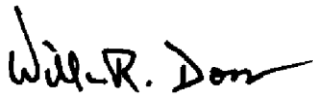
In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 2013, on our consideration of Lawrence County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Lawrence County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lawrence County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Reconciliation of Operating Costs of Solid Waste has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Reconciliation of Operating Costs of Solid Waste is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lawrence County, Mississippi's basic financial statements. The accompanying Schedule of Surety Bonds for County Officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 15, 2013

LAWRENCE COUNTY

FINANCIAL STATEMENTS

LAWRENCE COUNTY

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LAWRENCE COUNTY
Statement of Net Assets
September 30, 2012

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 6,085,854
Property tax receivable	5,194,000
Fines receivable (net of allowance for uncollectibles of \$727,594)	920,190
Intergovernmental receivables	180,635
Deferred charges - bond issuance costs	26,000
Capital assets:	
Land	569,166
Other capital assets, net	<u>40,470,648</u>
Total Assets	<u>53,446,493</u>
LIABILITIES	
Claims payable	297,412
Intergovernmental payables	114,705
Accrued interest payable	3,633
Deferred revenue	5,194,000
Other payables	16,977
Long-term liabilities	
Due within one year:	
Capital debt	568,267
Due in more than one year:	
Capital debt	<u>1,510,663</u>
Total Liabilities	<u>7,705,657</u>
NET ASSETS	
Invested in capital assets, net of related debt	38,960,884
Restricted:	
Expendable:	
General government	245,194
Public safety	681,615
Public works	1,864,866
Health and welfare	221,529
Culture and recreation	1,816
Economic development	25,106
Debt service	597,596
Unemployment compensation	12,212
Unrestricted	<u>3,130,018</u>
Total Net Assets	<u>\$ 45,740,836</u>

The notes to the financial statements are an integral part of this statement.

LAWRENCE COUNTY
Statement of Activities
For the Year Ended September 30, 2012

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,439,154	291,160	88,855		(2,059,139)
Public safety	2,138,089	205,938	124,764	79,725	(1,727,662)
Public works	2,816,866	28,685	505,416	1,251,663	(1,031,102)
Health and welfare	364,460		22,746		(341,714)
Culture and recreation	13,306				(13,306)
Conservation of natural resources	53,243				(53,243)
Economic development	169,646				(169,646)
Interest on long-term debt	72,831				(72,831)
Total Governmental Activities	\$ <u>8,067,595</u>	<u>525,783</u>	<u>741,781</u>	<u>1,331,388</u>	<u>(5,468,643)</u>
General revenues:					
Property taxes				\$	5,086,317
Road & bridge privilege taxes					180,947
Grants and contributions not restricted to specific programs					425,538
Unrestricted interest income					12,005
Miscellaneous					<u>570,365</u>
Total General Revenues					<u>6,275,172</u>
Changes in Net Assets					806,529
Net Assets - Beginning of year, as previously reported					<u>44,934,307</u>
Net Assets - End of year				\$	<u><u>45,740,836</u></u>

The notes to the financial statements are an integral part of this statement.

LAWRENCE COUNTY
Balance Sheet - Governmental Funds
September 30, 2012

Exhibit 3

	<u>Major Funds</u>		<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>Engineer's</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS				
Cash	\$ 2,269,981	3,829	3,812,044	6,085,854
Property tax receivable	3,420,000		1,774,000	5,194,000
Fines receivable (net of allowance for uncollectibles of \$727,594)	920,190			920,190
Intergovernmental receivables	171,015	9,620		180,635
Due from other funds	80,330		33,031	113,361
Total Assets	<u>\$ 6,861,516</u>	<u>13,449</u>	<u>5,619,075</u>	<u>12,494,040</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 172,785	3,829	120,798	297,412
Intergovernmental payables	108,735			108,735
Due to other funds	39,001		80,330	119,331
Deferred revenue	4,340,190		1,774,000	6,114,190
Other payables	16,977			16,977
Total Liabilities	<u>4,677,688</u>	<u>3,829</u>	<u>1,975,128</u>	<u>6,656,645</u>
Fund balances:				
Restricted for:				
General government			245,194	245,194
Public safety			681,615	681,615
Public works		9,620	1,855,246	1,864,866
Health and welfare			221,529	221,529
Culture and recreation			1,816	1,816
Economic development			25,106	25,106
Debt service			601,229	601,229
Unemployment compensation			12,212	12,212
Assigned to:				
Health and welfare	190,595			190,595
Economic development	1,255			1,255
Unassigned	1,991,978			1,991,978
Total Fund Balances	<u>2,183,828</u>	<u>9,620</u>	<u>3,643,947</u>	<u>5,837,395</u>
Total Liabilities and Fund Balances	<u>\$ 6,861,516</u>	<u>13,449</u>	<u>5,619,075</u>	<u>12,494,040</u>

The notes to the financial statements are an integral part of this statement.

LAWRENCE COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2012

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 5,837,395
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$75,325,166.	41,039,814
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	920,190
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,078,930)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(3,633)
Deferred charges - bond issuance costs	<u>26,000</u>
Total Net Assets - Governmental Activities	\$ <u><u>45,740,836</u></u>

The notes to the financial statements are an integral part of this statement.

LAWRENCE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2012

	Major Funds		Other	Total
	General	Engineer's	Governmental	Governmental
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 3,257,458		1,828,859	5,086,317
Road and bridge privilege taxes			180,947	180,947
Licenses, commissions and other revenue	86,889		4,154	91,043
Fines and forfeitures	121,797		3,383	125,180
Intergovernmental revenues	565,598	1,251,663	681,446	2,498,707
Charges for services	55,201		168,356	223,557
Interest income	11,956		49	12,005
Miscellaneous revenues	170,925		375,660	546,585
Total Revenues	4,269,824	1,251,663	3,242,854	8,764,341
EXPENDITURES				
Current:				
General government	2,312,626		49,948	2,362,574
Public safety	1,490,478		515,490	2,005,968
Public works		1,158,741	2,271,101	3,429,842
Health and welfare	279,798			279,798
Culture and recreation			10,863	10,863
Conservation of natural resources	53,243			53,243
Economic development	145,218		24,428	169,646
Debt service:				
Principal	83,426		567,940	651,366
Interest	4,024		71,613	75,637
Total Expenditures	4,368,813	1,158,741	3,511,383	9,038,937
Excess of Revenues over (under) Expenditures	(98,989)	92,922	(268,529)	(274,596)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			91,876	91,876
Proceeds from sale of capital assets			117,629	117,629
Transfers in	75,000	51,836	440,404	567,240
Transfers out	(162,105)	(144,758)	(260,377)	(567,240)
Total Other Financing Sources and Uses	(87,105)	(92,922)	389,532	209,505
Net Changes in Fund Balances	(186,094)	0	121,003	(65,091)
Fund Balances - Beginning of year, as previously reported	2,369,922	9,620	3,522,944	5,902,486
Fund Balances - End of year	\$ 2,183,828	9,620	3,643,947	5,837,395

The notes to the financial statements are an integral part of this statement.

LAWRENCE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2012

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (65,091)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$1,362,746 exceeded depreciation of \$1,043,410 in the current period.	319,336
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$23,780 and the proceeds from the sale of \$117,629 in the current period.	(93,849)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	86,003
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$651,366 exceeded debt proceeds of \$91,876.	559,490
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The decrease in accrued interest payable	965
The amortization of:	
Deferred charges - bond issuance costs	(2,166)
Premiums on bonds	<u>1,841</u>
Change in Net Assets of Governmental Activities	\$ <u><u>806,529</u></u>

The notes to the financial statements are an integral part of this statement.

LAWRENCE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2012

Exhibit 5

		Agency Funds
ASSETS		
Cash	\$	436,227
Due from other funds		5,970
Total Assets	\$	<u>442,197</u>
LIABILITIES		
Amounts held in custody for others	\$	377,361
Intergovernmental payables		64,836
Total Liabilities	\$	<u>442,197</u>

The notes to the financial statements are an integral part of this statement.

LAWRENCE COUNTY

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LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Lawrence County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Lawrence County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Lawrence County Economic Development District
- Lawrence County Human Resource Agency

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

Engineer's Fund - This fund is used to account for monies from specific revenue sources that are restricted for road construction and repairs.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Lawrence County elected to report major general infrastructure assets acquired after September 30, 1980, on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

J. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the County's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the Board of Supervisors pursuant to authorization established by Section 19-3-59, Miss. Code Ann. (1972).

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

K. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2012, was \$6,522,081, and the bank balance was \$6,583,311. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2012:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Other Governmental Funds	\$ 80,330
Other Governmental Funds	General	33,031
Agency Funds	General	5,970
Total		\$ 119,331

The receivables represent the tax revenue collected but not settled until October, 2012, and short-term loans. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 75,000
Engineer's Fund	Other Governmental Funds	51,836
Other Governmental Funds	General Fund	162,105
Other Governmental Funds	Engineer's Fund	144,758
Other Governmental Funds	Other Governmental Funds	133,541
Total		\$ 567,240

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

LAWRENCE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2012, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 67,253
MDOT reimbursement	25,000
Hazard mitigation grant	73,907
HMEP grant	4,855
State aid road reimbursement	9,620
Total Governmental Activities	\$ 180,635

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2012:

Governmental activities:

	Balance Oct. 1, 2011	Additions	Deletions	Adjustments*	Balance Sept. 30, 2012
<u>Non-depreciable capital assets:</u>					
Land	\$ 569,166				569,166
Total non-depreciable capital assets	569,166	0	0	0	569,166
<u>Depreciable capital assets:</u>					
Infrastructure	98,159,437	885,631			99,045,068
Buildings	7,940,626				7,940,626
Improvements other than buildings	754,408				754,408
Mobile equipment	5,843,919	319,901	385,500	264,380	6,042,700
Furniture and equipment	964,012	25,338			989,350
Leased property under capital leases	1,156,166	131,876		(264,380)	1,023,662
Total depreciable capital assets	114,818,568	1,362,746	385,500	0	115,795,814
<u>Less accumulated depreciation for:</u>					
Infrastructure	66,512,352	176,312			66,688,664
Buildings	2,917,354	155,826			3,073,180
Improvements other than buildings	60,354	30,177			90,531
Mobile equipment	4,119,343	406,967	291,651	126,273	4,360,932
Furniture and equipment	494,468	123,665			618,133
Leased property under capital leases	469,536	150,463		(126,273)	493,726
Total accumulated depreciation	74,573,407	1,043,410	291,651	0	75,325,166
Total depreciable capital assets, net	40,245,161	319,336	93,849	0	40,470,648
Governmental activities capital assets, net	\$ 40,814,327	319,336	93,849	0	41,039,814

* Adjustments are the reclassification of paid out capital leases from leased property under capital leases to mobile equipment.

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 101,918
Public safety	346,245
Public works	510,308
Health and welfare	82,496
Culture and recreation	2,443
	<hr/>
Total governmental activities depreciation expense	\$ 1,043,410
	<hr/>

(6) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2012:

Classes of Property	Governmental Activities
	<hr/>
Mobile equipment	\$ 935,371
Furniture and equipment	88,291
	<hr/>
Total	1,023,662
Less: Accumulated depreciation	493,726
	<hr/>
Leased Property Under Capital Leases	\$ 529,936
	<hr/>

The following is a schedule by years of the total payments due as of September 30, 2012:

Year Ending September 30	Governmental Activities	
	Principal	Interest
	<hr/>	<hr/>
2013	\$ 149,554	6,811
2014	109,780	3,071
2015	40,169	698
2016	4,759	26
	<hr/>	<hr/>
Total	\$ 304,262	10,606
	<hr/>	<hr/>

LAWRENCE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2012

(8) Long-term Debt.

Debt outstanding as of September 30, 2012, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Series 1998 jail bond	\$ 140,000	4.75%	04/2013
Series 1998A jail bonds	70,000	4.90%	07/2013
Series 2010 hospital sprinkler system bonds	810,000	3.25/4.50%	09/2025
Total General Obligation Bonds	\$ 1,020,000		
B. Capital Leases:			
Excavator	\$ 2,457	4.44%	11/2012
Excavator	4,542	3.85%	02/2013
International garbage truck	8,336	3.24%	06/2013
Superior broom	1,616	3.28%	11/2012
2010 Ford F150	9,951	3.15%	02/2014
(2) 2010 Dodge Chargers	21,415	3.15%	07/2013
John Deere 120D excavator	49,444	3.38%	12/2014
Superior sweeper	19,970	3.13%	05/2014
Zanetis Road Hog	41,539	3.23%	06/2015
Tanker	5,725	2.79%	07/2013
Computer software and hardware	58,985	3.21%	12/2015
Excavator	1,672	2.97%	10/2012
Used 2004 Freightliner truck	15,460	2.49%	01/2014
Diamond sideboom mower	20,182	2.39%	03/2015
(2) John Deere 509E tractors	42,968	1.97%	08/2014
Total Capital Leases	\$ 304,262		
C. Other Loans:			
CAP loan	\$ 115,309	2.00%	11/2017
District 2 fire truck loans	15,526	3.00%	02/2015
District 2 fire truck loan	12,927	2.00%	12/2015
District 2 fire truck loans	80,615	3.00%	02/2020
District 3 fire truck loans	115,311	3.00%	03/2020
Road and bridge construction loan	392,891	3.50%	10/2015
Total Other Loans	\$ 732,579		

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2013	\$ 260,000	43,385	158,713	15,508
2014	50,000	31,055	156,590	17,326
2015	50,000	28,805	150,071	18,919
2016	55,000	26,555	143,790	20,386
2017	55,000	24,080	50,010	2,811
2018 – 2022	320,000	87,298	73,405	2,572
2023 – 2027	230,000	20,737		
Total	\$ 1,020,000	261,915	732,579	77,522

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2012, the amount of outstanding debt was equal to less than one percent of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

	Balance Oct. 1, 2011	Additions	Reductions	Adjustments	Balance Sept. 30, 2012	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 1,260,000		240,000		1,020,000	260,000
Add:						
Premiums	23,930		1,841		22,089	
Capital leases	411,849	91,876	199,463		304,262	149,554
Other loans	944,482		211,903		732,579	158,713
Total	\$ 2,640,261	91,876	653,207	0	2,078,930	568,267

(9) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

(10) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Lawrence County Board of Supervisors appoints two of the 27 members of the college board of trustees. The County appropriated \$407,485 for maintenance and support of the college in fiscal year 2012.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Lawrence County Board of Supervisors appoints four of the 40 members of the board of directors. The County contributes a small percentage of the district's total revenue. The County appropriated \$27,360 for support of the district in fiscal year 2012.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Lawrence County Board of Supervisors appoints one of the ten members of the board of commissioners. The County appropriated \$22,500 for support in fiscal year 2012.

Southwest Mississippi Partnership operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the County's Board of Supervisors. The members provide only modest financial support for the entity.

(11) Defined Benefit Pension Plan.

Plan Description. Lawrence County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2012, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2012 was 14.26% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2012, 2011 and 2010 were \$329,159, \$304,189 and \$296,406, respectively, equal to the required contributions for each year.

(12) Subsequent Events.

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of Lawrence County evaluated the activity of the County through July 15, 2013 and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2012

Subsequent to September 30, 2012, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/19/2012	1.81%	\$	151,079	Capital lease	Ad valorem taxes
01/07/2013	2.95%		50,000	Other loan	Ad valorem taxes

LAWRENCE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LAWRENCE COUNTY

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LAWRENCE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,195,000	3,256,849	3,256,849	
Licenses, commissions and other revenue	75,000	101,873	101,873	
Fines and forfeitures	125,000	122,921	122,921	
Intergovernmental revenues	520,000	771,006	771,006	
Charges for services	15,000	28,801	28,801	
Interest income	21,460	11,945	11,945	
Miscellaneous revenues	115,000	154,870	154,870	
Total Revenues	<u>4,066,460</u>	<u>4,448,265</u>	<u>4,448,265</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,140,317	2,358,671	2,358,671	
Public safety	1,389,800	1,489,584	1,489,584	
Health and welfare	262,500	279,977	279,977	
Education	300,000	253,246	253,246	
Conservation of natural resources	54,006	54,826	54,826	
Economic development and assistance	143,860	202,718	202,718	
Debt service:				
Principal	85,000	83,362	83,362	
Interest		4,088	4,088	
Total Expenditures	<u>4,375,483</u>	<u>4,726,472</u>	<u>4,726,472</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(309,023)</u>	<u>(278,207)</u>	<u>(278,207)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	657,370	502,705	502,705	
Other financing uses	(363,200)	(532,636)	(532,636)	
Total Other Financing Sources and Uses	<u>294,170</u>	<u>(29,931)</u>	<u>(29,931)</u>	<u>0</u>
Net Change in Fund Balance	(14,853)	(308,138)	(308,138)	0
Fund Balances - Beginning	<u>2,197,249</u>	<u>2,439,542</u>	<u>2,439,542</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 2,182,396</u>	<u>2,131,404</u>	<u>2,131,404</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

LAWRENCE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Engineer's Fund
 For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 500,000	366,032	366,032	
Total Revenues	<u>500,000</u>	<u>366,032</u>	<u>366,032</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	500,000	287,541	287,541	
Total Expenditures	<u>500,000</u>	<u>287,541</u>	<u>287,541</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>78,491</u>	<u>78,491</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		51,836	51,836	
Transfers out		(136,951)	(136,951)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(85,115)</u>	<u>(85,115)</u>	<u>0</u>
Net Change in Fund Balance	0	(6,624)	(6,624)	0
Fund Balances - Beginning	<u>0</u>	<u>10,453</u>	<u>10,453</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>3,829</u>	<u>3,829</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

LAWRENCE COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2012

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and the major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	Engineer's Fund
Budget (Cash Basis)	\$ (308,138)	(6,624)
Increase (Decrease)		
Net adjustments for revenue accruals	78,762	
Net adjustments for expenditure accruals	42,390	6,624
Other reconciling items:		
Net repayment of interfund loans and advances	892	
GAAP Basis	<u>\$ (186,094)</u>	<u>0</u>

LAWRENCE COUNTY

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LAWRENCE COUNTY

SUPPLEMENTAL INFORMATION

LAWRENCE COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2012

Operating Expenditures, Cash Basis:

Salaries	\$	253,992
Expendable Commodities:		
Gasoline and petroleum products		44,053
Repair parts		11,852
Contractual services		126,911
Supplies		<u>12,572</u>

Solid Waste Cash Basis Operating Expenditures		449,380
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Full Cost Expenses:

Depreciation on equipment		57,509
Depreciation on building		62
Interest on solid waste debt		859
Other		<u>3,836</u>

Solid Waste Full Cost Operating Expenses	\$	<u><u>511,646</u></u>
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LAWRENCE COUNTY

OTHER INFORMATION

LAWRENCE COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2012
UNAUDITED

Name	Position	Company	Bond
Steve Garrett	Supervisor District 1	Western Surety Company	\$100,000
Billy Joe Boutwell	Supervisor District 2	Western Surety Company	\$100,000
Jerry Wayne Smithie	Supervisor District 3	Western Surety Company	\$100,000
Glenn Grubbs	Supervisor District 4	Western Surety Company	\$100,000
Archie C. Ross	Supervisor District 5	Western Surety Company	\$100,000
Kevin Ray born	Chancery Clerk	Western Surety Company	\$100,000
Shelia Smithie	Purchase Clerk	Western Surety Company	\$75,000
Kevin Ray born	Assistant Purchase Clerk	Western Surety Company	\$75,000
Jennifer D. Fields	Receiving Clerk	Western Surety Company	\$75,000
Brian Sutton	Receiving Clerk	Western Surety Company	\$75,000
Kenny Ray Magee	Assistant Receiving Clerk	Western Surety Company	\$50,000
James Kelly Miller	Assistant Receiving Clerk	Western Surety Company	\$50,000
Alton Letchworth	Assistant Receiving Clerk	Western Surety Company	\$50,000
Clayton McGowen	Purchase / Receiving Clerk	Western Surety Company	\$75,000
Heather Rains	Inventory Control Clerk	Western Surety Company	\$75,000
Lessie Butler	Constable	RLI Surety	\$50,000
Royce Renfroe	Constable	Western Surety Company	\$50,000
James S. Brister	Circuit Clerk	Western Surety Company	\$100,000
Joel Thames	Sheriff	Western Surety Company	\$100,000
Albert H. Turnage	Justice Court Judge	RLI Surety	\$50,000
Donald G. Mullins	Justice Court Judge	Western Surety Company	\$50,000
Patsy Bullock	Justice Court Clerk	Western Surety Company	\$50,000
Peggy Woodard	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Sherry Hyde Thames	Tax Assessor-Collector	Western Surety Company	\$100,000
James Kelly Miller	Comptroller	Western Surety Company	\$450,000

LAWRENCE COUNTY

SPECIAL REPORTS

LAWRENCE COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Lawrence County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lawrence County, Mississippi, (the County) as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 15, 2013. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Lawrence County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 12-1 to be a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 12-2 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lawrence County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted a certain matter that we reported to the management of Lawrence County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated July 15, 2013, included within this document.

Lawrence County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Lawrence County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 15, 2013



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Lawrence County, Mississippi

We have examined Lawrence County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2012. The Board of Supervisors of Lawrence County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

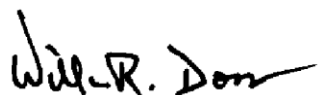
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Lawrence County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Lawrence County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2012.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Lawrence County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

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WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 15, 2013

LAWRENCE COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2012

Our test results did not identify any purchases from other than the lowest bidder.

LAWRENCE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2012

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
08/29/2012	Fuel	\$ 3,177	Buffalo	Hurricane Isaac
08/29/2012	Fuel	3,177	Buffalo	Hurricane Isaac
08/30/2012	Fuel	7,936	Keithco	Hurricane Isaac

LAWRENCE COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2012

Our test results did not identify any purchases made noncompetitively from a sole source.

LAWRENCE COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lawrence County, Mississippi

In planning and performing our audit of the financial statements of Lawrence County, Mississippi (the County) for the year ended September 30, 2012, we considered Lawrence County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Lawrence County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 15, 2013, on the financial statements of Lawrence County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified a certain immaterial instance of noncompliance with state laws and regulations that is an opportunity for strengthening internal controls and operating efficiency. Our finding, recommendation, and your response are disclosed below:

Chancery Clerk.

1. All bond certificates for County officials and employees should be filed and recorded in the Chancery Clerk's office.

Finding

Section 25-1-19, Miss. Code Ann. (1972), requires all bonds to be filed and recorded in the Chancery Clerk's office. As reported in the prior year's audit report, the Chancery Clerk bond records do not include bond certificates for all of the county officials and employees. Failure to file a copy of the bond documentation with the Chancery Clerk's office could result in officials not being properly bonded.

Recommendation

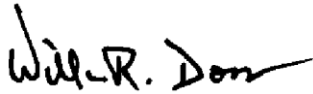
The Chancery Clerk should make sure that all officials and employees bonds are filed and recorded in the office of the Chancery Clerk.

Chancery Clerk's Response

I will comply.

Lawrence County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Dooss". The signature is written in a cursive, slightly stylized font.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

July 15, 2013

LAWRENCE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

LAWRENCE COUNTY

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LAWRENCE COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unqualified |
| | Engineer's Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | Yes |
| | b. Significant deficiency identified? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

- 12-1. The County should include the financial data for its discrete component units in its financial statements.

Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. As reported in the prior five years' audit reports, the financial statements do not include the financial data for the county's component units. The failure to properly follow general accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for inclusion in the county's financial statements.

Board of Supervisors' Response

It is not cost effective to provide this information.

LAWRENCE COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2012

Tax Assessor - Collector.

Significant Deficiency

12-2. Controls over the Tax Assessor - Collector's cash journal should be strengthened.

Finding

An effective system of internal control over the collection, recording and disbursement of cash should include maintaining a cash journal. As reported in the prior year's audit report, the cash journal was not properly maintained. Errors on the cash journal resulted from the incorrect recording of receipts and disbursements and failure to roll over September's ending account balances as beginning balances of the next fiscal year. Also, the Tax Assessor - Collector is not maintaining a receivable account for the legislative tag credit due from the state. Failure to properly maintain the cash journal could result in incorrect settlements and the loss of public funds.

Recommendation

The Tax Assessor - Collector should ensure that the cash journal is properly maintained, receipts and disbursements are posted to the proper accounts in the cash journal, the fiscal year beginning account balances agree with prior fiscal year ending account balances and a receivable account is maintained for the legislative tag credit due from the state.

Tax Assessor - Collector's Response

The office settles the money to the settlement reports and we balance to the penny each month. We will get back in touch with Delta Computer Systems to see if we can get help rolling over all accounts in the bookkeeping program. I will comply with this audit.